



Alaska Department of Transportation & Public Facilities Ted Stevens Anchorage International Airport

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Analysis**

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Alaska International Airport System

Who We Are and How it Works

Purpose :
To Keep Alaska Flying and Thriving



3 main points

- Structure
 - Organizational
 - Financial
- Alaska Advantage
- Future



Two Airports – One System



Ted Stevens Anchorage
International Airport

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**Alaska
International
Airport System
(AIAS)**

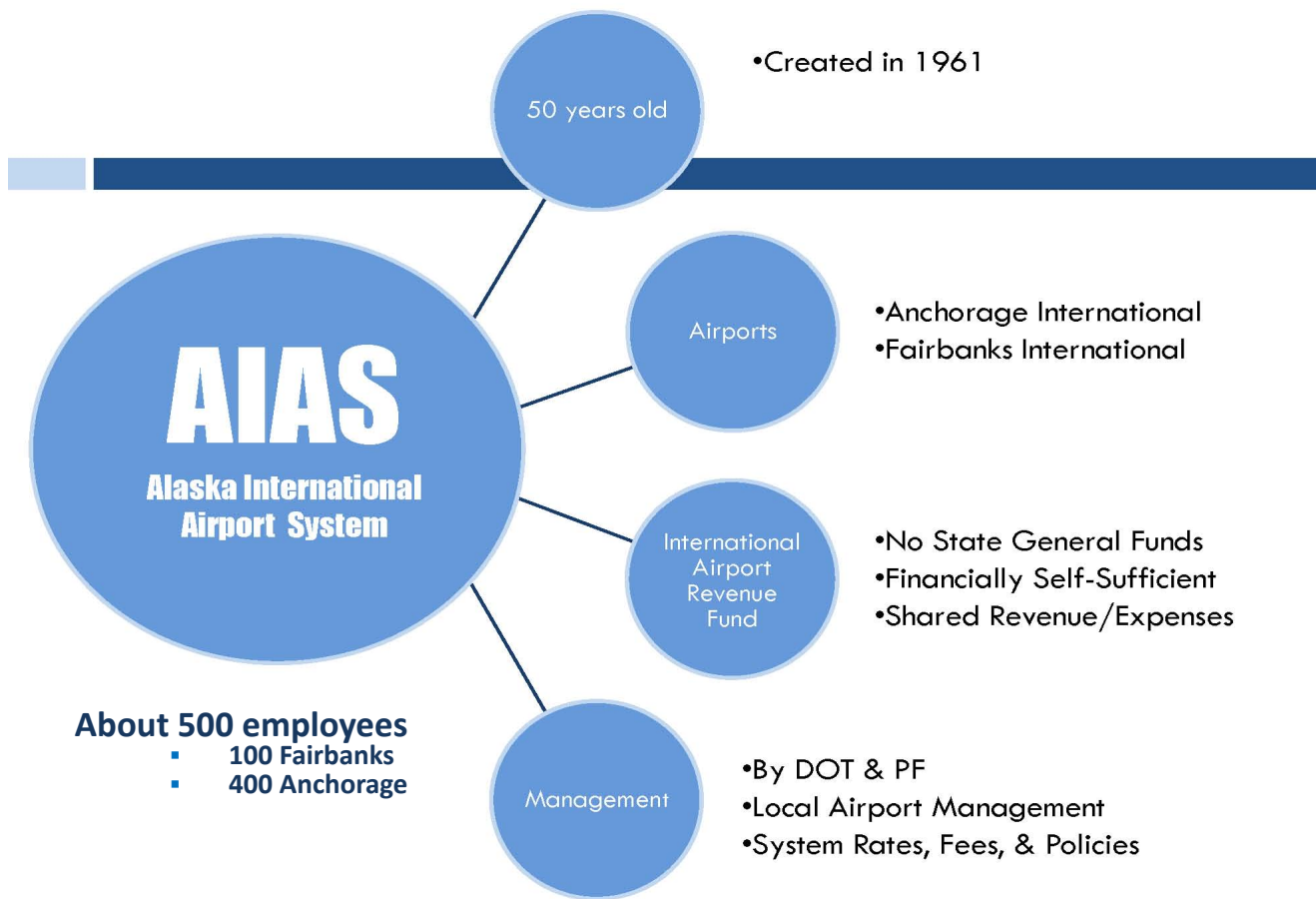


Fairbanks
International Airport

**Created Fifty Years ago by
Ch88 SLA 1961 – (AS
37.15.410–550)**



Self-Sustaining



Alaska's largest
Enterprise Fund

Funded by user
fees not State
General Funds



Economic Engine

Anchorage

- 15,577 Jobs – one in ten jobs
- About \$724 million in direct annual payroll
- Another \$303 million in annual payroll for jobs in the community

*Source: 2011 McDowell Group Study

Fairbanks

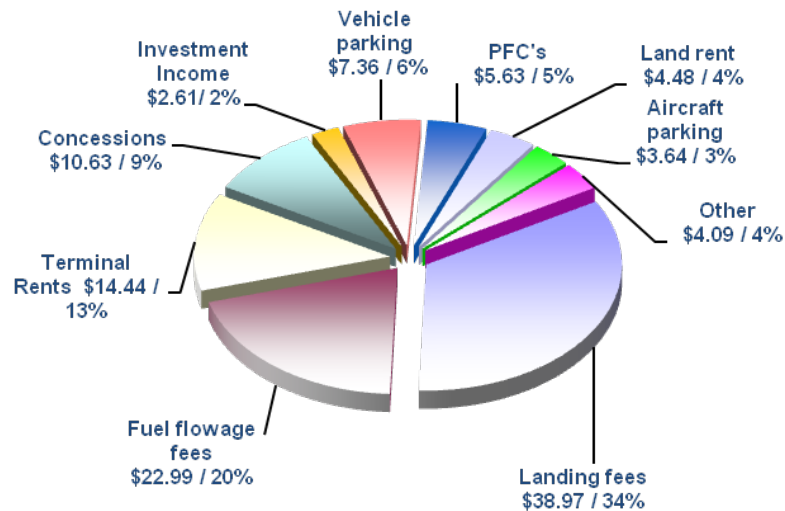
- 1,900 Jobs – one in twenty jobs
- \$225 million in economic output
- Ranked 85th in the nation in weight of total mail and freight (2010)

*Source: 2011 Alaska Aviation System Plan Study



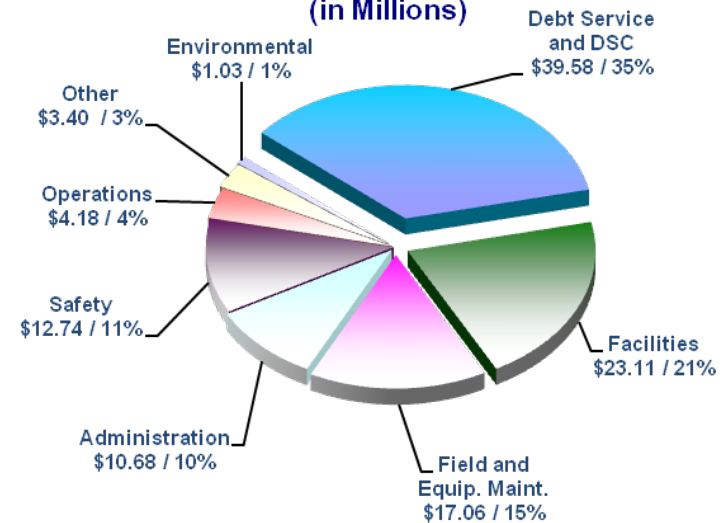
AIAS Revenues and Costs

**AIAS
FY2011 Revenue Sources
(in Millions)**



\$101M in Operating Revenues

**AIAS
FY 2011 Annual Operating Costs
(including Debt Service & Coverage)
(in Millions)**



Costs are covered by adjustments to rates and fees – self sustaining system



Operating Agreement with Carriers

- **Residual Cost Model**
 - Signatory Carriers underwrite
 - Signatory Carriers have a voice
- **Authority to Issue Revenue Bonds**
- **Current agreement expires 30 Jun 2013**



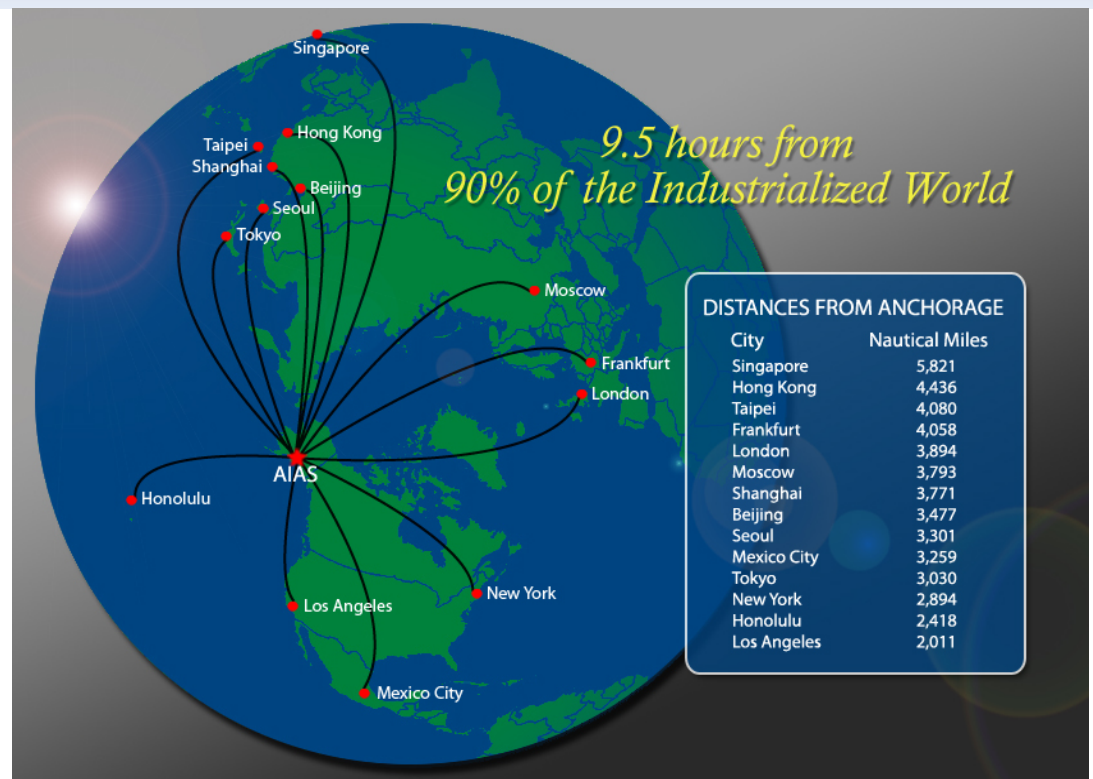
Alaska International Airport System

The Alaska Advantage



Location and Two Airports

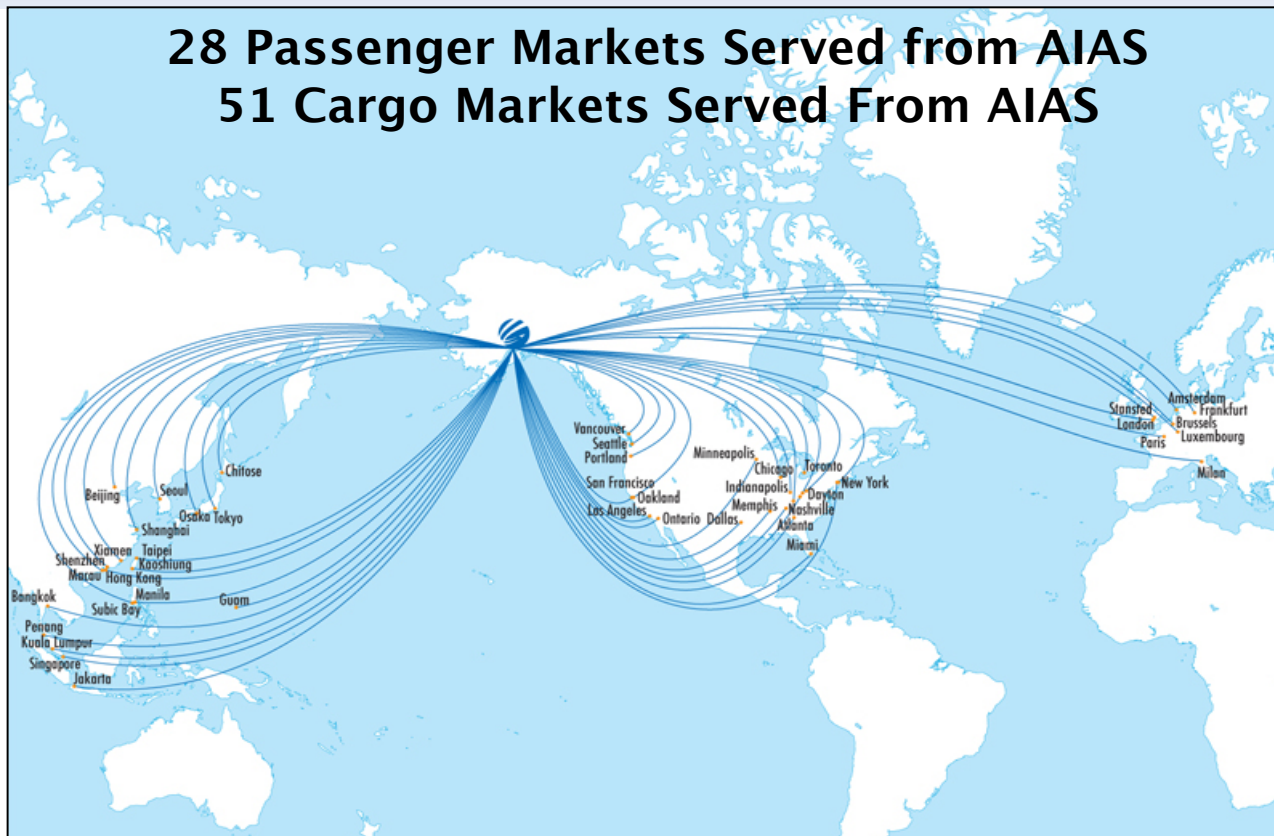
- 9.5 hours from 90% of Industrialized World
- Never a same day closure (except +/- 10 minutes diversion Trans-Pac)





World Markets

28 Passenger Markets Served from AIAS
51 Cargo Markets Served From AIAS



Intrastate,
interstate, and
international
passenger airline
service

Domestic and
international cargo
operations –
including regional
origin and
destination (O&D),
traffic, interstate
O&D, technical
stops, interline
and bursting cargo
trans-loading, and
full service
hubbing
operations (e.g.
Alaska, FedEx and
UPS)

Integrity - Enterprising - Excellence - Respect



US/Global rankings

Rank	City	Weight (Metric tons)
1	Memphis	3,916,811
2	Anchorage	2,646,695
3	Louisville	2,166,656
4	Miami	1,835,797
5	Los Angeles	1,747,629
6	Chicago	1,376,552
7	New York	1,344,126
8	Indianapolis	1,012,589
9	Newark	855,594
10	Atlanta	659,129

Rank	City	Weight (Metric tons)
1	Hong Kong	4,165,852
2	Memphis	3,916,811
3	Shanghai	3,228,081
4	Incheon	2,684,499
5	Anchorage	2,646,695
6	Paris	2,399,067
7	Frankfurt	2,275,000
8	Dubai	2,270,498
9	Tokyo	2,167,853
10	Louisville	2,166,656

Data from Airports Council International



Payload Versus Range

747-8F Example:

PVG-ANC-ORD

Distance = 7,150 miles

Payload = 295,000 lb

134,090 kg

PVG-ORD direct

Distance = 7,050 miles

Payload = 170,000 lb

7,273 kg

At \$1.00/LB

PVG-ANC-ORD = \$295,000

PVG - ORD = \$170,000

ANC Stop = + \$125,000



Large and Diverse Customer Base





Anchor Tenants

UPS

- Operates 11 wide-body aprons in a 90,000 sq.ft. facility
- Established ANC as pilot domicile in 2007
- Opened 27,000 sq.ft. pilot training facility in 2008 –



FedEx

- Invested in excess of \$150M in ANC facilities
- ANC serves as primary hub for
- Completed multi-phased expansion of package sorting facility in 2007





Asia Centric Cargo Market

- Over 99% of cargo through AIAS -- five Asian origins (China, Taiwan, Korea, Japan, Hong Kong)
- N. America – Asia cargo through AIAS expected to grow ~ 1–2%
- 71% of all Asia-bound air cargo from U.S. goes through ANC
- 82% of all U.S.–bound air cargo from Asia goes through ANC
- All Asia–North America carriers have flights through Anchorage
- **Approximately 80% of AIAS carrier generated revenue is cargo**

*Source: 2011 McDowell Group Study



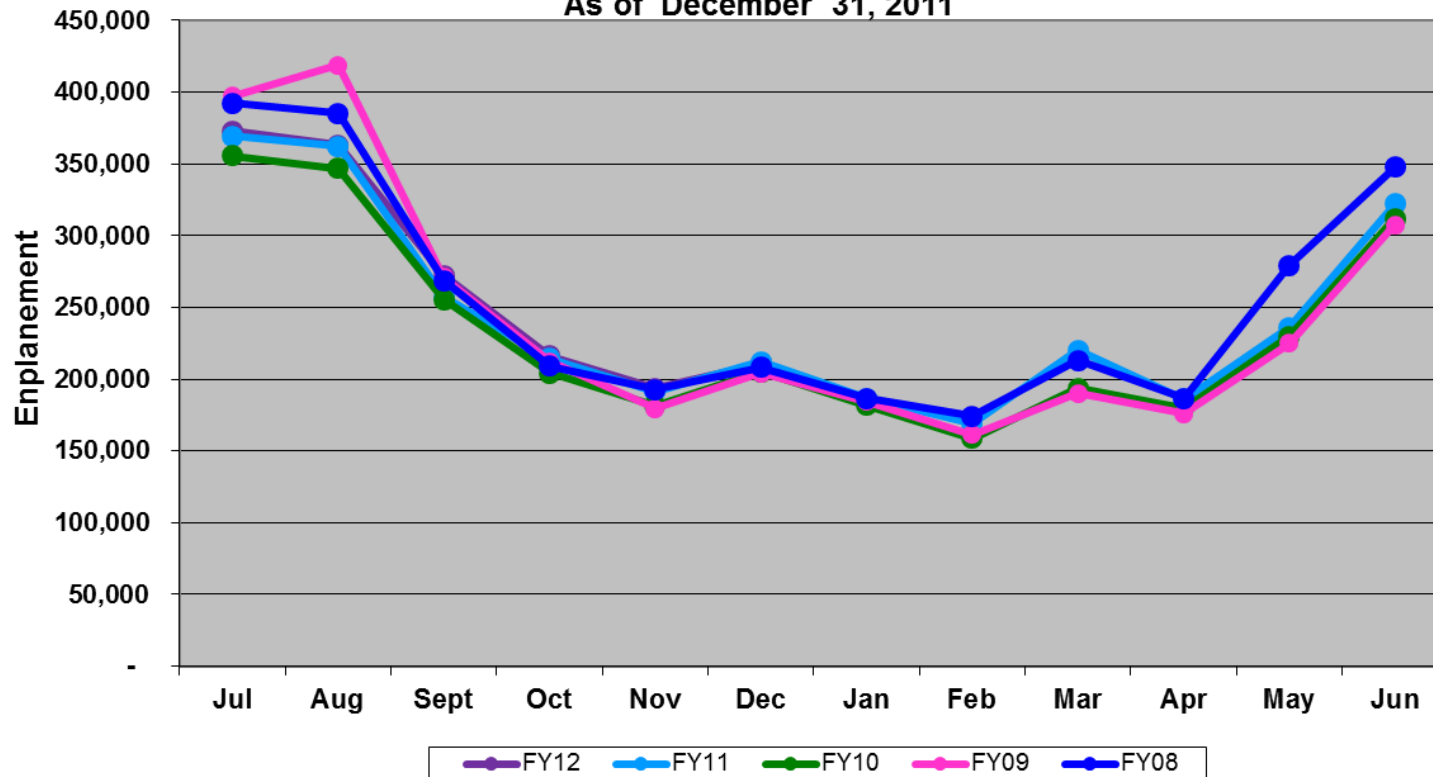
Competition

- **Portland, Seattle Vancouver, and Prince George have all visited Asia in an effort to recruit cargo.**
- **FAA prohibits airports from direct payment incentives, i.e., risk abatements. As a result, these programs are generally state or local government funded.**
- **Airports allowed to waive fees for a limited period.**
- **AIAS implemented Passenger and Cargo Incentive Program in 2011 that waives landing fees for six months for new city pairs or relocated cargo flights.**



Passenger Activity: +1.3% Ytd FY12

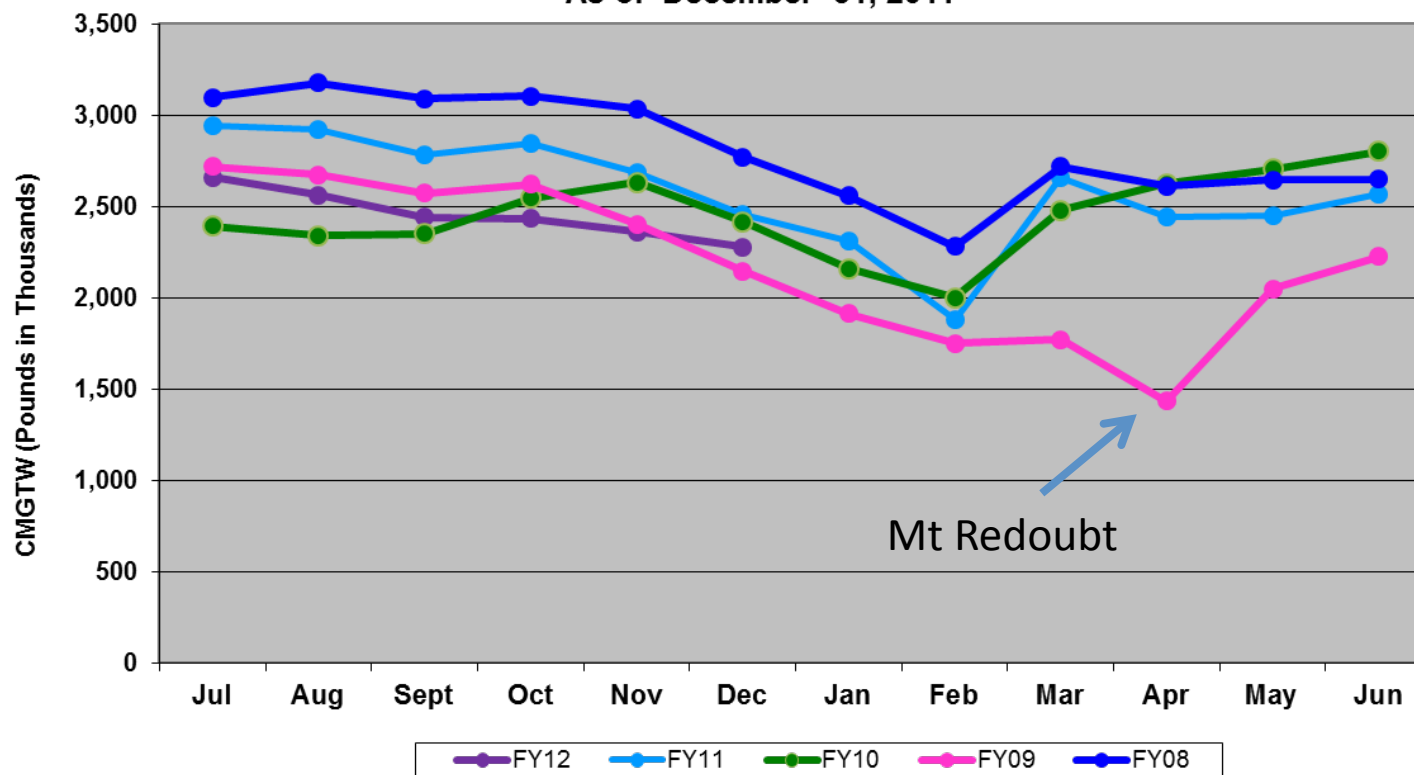
AIAS
FY08 - FY12 YTD
Monthly Enplanements
As of December 31, 2011





Cargo Activity: -12% Ytd FY12

AIAS
FY08 - FY12 YTD
Monthly Reported Combined Cargo - Pax CMGTW
As of December 31, 2011



Mt Redoubt



What Causes Decreased Activity?

- The global economy.....
- Other risk factors:
 - Fleet mix (passenger 777)
 - Potential competitor airports
 - Perceptions that operating at/through AIAS doesn't "pencil"
- We aggressively and collaboratively manage those factors within our control, while also proactively marketing and myth busting



Alaska International Airport System

Future





Kulis

- **Background:**
 - 129 acres in ANC South Airpark
 - Leased from State by USAF from 1959 to 2011
 - USAF licensed Alaska Air National Guard to operate as Kulis Air National Guard Base.
- **Base Realignment and Closure (BRAC)**
 - Initiated in 2005
 - Action: Close Kulis Air Guard Station (AGS), AK. Relocate the 176th Wing (ANG) to Elmendorf Air Force Base, AK.
 - Returned to Airport Control October, 2011



Kulis

- **Demolition status**
 - Substantial completion of demolition: April 2012
 - Substantial completion of all work: June 30, 2012
- **Significant buildings to remain**
 - Wing Headquarters
 - Civil Engineering
 - Warehouse
 - Clinic
 - Cafeteria/Multipurpose
 - Three C-130 Hangars and C-130 Aircraft Apron
 - Vehicle Maint. (for use by DMVA for Army Guard 103rd CST
 - Fire Station (for use by ANC for ARFF Response)



Kulis

- **Obligations to Federal Government**
 - **Original deed transferring property from US Gov't to State** required land be used for public airport purposes for the use and benefit of the public
 - **Acceptance of federal Airport Improvement Program (AIP) funds** comes with conditions known as grant assurances
- **Key Grant Assurances (39 total)**
 - **19. Operation and Maintenance:** operate airport in a safe and serviceable condition
 - **22. Economic Nondiscrimination:** make airport available to all kinds of aeronautic activity without unjust discrimination
 - **23. Exclusive rights:** permit no exclusive right to use airport
 - **25. Airport revenues:** revenue generated will be used for the capital and operating costs of the airport
 - **26. Fee and Rental Structure:** maintain a fee and rental structure which makes airport as self-sustaining as possible



Kulis

• Challenges

- **South portion not suitable for aeronautical use**
 - Land is significantly higher than airfield
 - Buildings are primarily office type
- **North portion needs future road and taxiway work to maximize aeronautical value**
- **Improvements needed this summer**
 - New airport operations area (security) fence
 - Utility system improvements
 - Separate metering of buildings for utility usage



Fuel Supply

- Fuel market is entirely private
- 2009 fuel shortage caused by swift and unexpected recovery in air cargo market
- Some carriers opted to overfly AIAS lacking confidence in fuel supply
 - Fuel price and supply a large part of airline routing decisions
- New suppliers entered the market
- Private industry is increasing storage
- Status today: low risk of a repeat of 2009



Preserving/Increasing Cargo Activity

- **Working cooperatively with airlines**
- **Held Alaska Cargo Summits in 2010, 2011**
- **Followed up with Asia trips**
 - **Build relational equity and market Alaska advantages**
- **Comprehensive AIAS Strategic Planning in 2011**
- **Implemented Cargo Incentive Program**



Strategic Planning & Marketing

- System planning/responses to previous management reviews
 - Strategic Plan (2011)
 - Business Plan (2012)
 - Human Resources Study (2011/12)
 - Marketing Plans / System Branding (Ongoing)
- Proactive communications
 - Work with CVB's and EDC's to strategize opportunities
 - Attend passenger and cargo conferences to promote AIAS



New Operating Agreement

- **Negotiate Operating Agreement with Signatory Airlines**
- **Existing OA expires June, 2013**
- **New Capital Improvement Program**
- **Review rates and fees model**
- **Review next OA term**



Takeaways

- Two Airports – One System
- Self-sustaining – no general funds
- Business-centric: rates and fees and self-supporting bonds
- Economic engine of regional, state, and global significance
- Critical aviation enabler in our nation's most aviation-centric state
- Working cooperatively with the airlines – they shoulder the financial risk – unilateral state action puts this relationship at risk
- Aggressive strategic planning to protect and enhance our system
- Great people doing great things for our state

Integrity - Enterprising - Excellence - Respect
To Keep Alaska flying and thriving!



3 main points

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Thank you!

Questions?

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